

WHITHER SELF-EMPLOYMENT?

by

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Susan M. Matteucci

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requirements for the Degree of Master in City Planning.

ABSTRACT

Self-employment for low income women is one response to the rapidly increasing numbers of women and their children living in poverty. The Women's Self-Employment Project (WSEP) in Chicago will test the effectiveness of this income generating strategy borrowing from two different models -- the Women's Economic Development Corporation and the Grameen Bank in Bangladesh.

By synthesizing interviews with WSEP participants, the self-employment literature and lessons learned from other projects, I point toward ways that the Women's Self-Employment Project can evaluate its effectiveness. I focus on credit, technical assistance, and the project's target population finding the following: although providing access to credit for low income women is important from an analysis of the banking system, WSEP participants do not view credit as a significant problem; income increases as a result of joining the project are often marginal and potential loss of welfare benefits is a significant consideration for possible participants; and participants report that peer groups and personal development are the most meaningful aspects of WSEP.

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Introduction

Women and their children make up 78 percent of the nation's poor, even though the number of women participating in the workforce is higher in 1987 than ever before. And approximately 48 percent of these women who work full-time, year-round earn less than \$10,000 per year, which is striking in light of the fact that the official poverty level income for a family of four is \$10,069.¹

As this harsh reality gains increasing national attention, policy makers and poverty analysts debate over the action necessary to resolve the problem of women's poverty. Self-employment, considered by its advocates as a nontraditional strategy, is one response to the problem.

The Women's Self-Employment Project (WSEP) will test the effectiveness of this income generating strategy in Chicago borrowing from two very different models -- the Women's Economic Development Corporation in Minnesota, and the Grameen Bank in Bangladesh. WSEP's strategy for aiding low-incomewomen in starting or expanding microenterprises involves providing access to skills and capital -- both of which are viewed as crucial for the success of the businesses and women's self-sufficiency.

WSEP is currently taking on three roles: operating a revolving loan fund, providing technical assistance, which includes some personal development training, and coordinating ongoing peer groups made up of women completing the 12-week training session together.

Women interested in self-employment come to an orientation session where the project is described and applications are distributed. WSEP follows a self-selection process: once women hear about the pros and cons of self-employment,

¹ U.S Bureau of the Census, Statistical Abstract of the United States: 1986, (106th Edition) Washington D.C., 1985.

they make a decision regarding their own readiness to start a business. WSEP then accepts women on the basis of returned application and the clarity of the venture description. Once accepted, participants must complete a 12-week training session where they write their self-employment action plan.

WSEP offers small, short-term loans to women starting or expanding their own businesses. Individuals may approach the fund directly as individual borrowers, or like the Grameen Bank, they may approach the fund as a borrowing circle of five women. WSEP anticipates that only a small portion of the women served by the project will need financing from the fund. Through intensive technical assistance, WSEP will help participants secure financing for their businesses through bank loans, credit cards or family support.

Because self-employment for low and moderate income women is a relatively recent approach, its long-term impact on generating income is unknown. Given this fact, I review self-employment literature from the US, Europe and the developing world as a vehicle for understanding the possibilities and problems WSEP may face as it evolves over time. WSEP participant interviews conducted in January, 1987 are the focal point of my inquiry. These women provide the most telling insights into what can make WSEP an effective project.

I view my task as focusing on a few key aspects of WSEP. By synthesizing the self-employment literature and lessons learned by other projects, I hope to point toward ways that WSEP can evaluate its impact.

This paper is divided into four chapters. First, I consider the economic and social context in which self-employment projects are operating. I compare the potential impacts of self-employment with the more traditional approach of employment and training, specifically, Massachusetts' ET program, finding that the two approaches face some of the same problems: increases in income as a

result of joining the project are often marginal and potential loss of welfare benefits is a significant consideration for women.

Second, I focus on the credit element of WSEP, discussing both the role it plays in increasing women's access to a self-employment option, as well as the burden placed on the organization providing it. While providing access to credit for low income women seems important from an analysis of the banking system, anecdotal evidence suggests that women do not view access to credit as a significant problem.

Third, I center on technical assistance, asking how its need is perceived by participants, and how WSEP might provide it in light of the importance placed on the peer/support groups by participants.

Finally, I address the important topic of target population and the effectiveness of self-employment as an income generating strategy for low and moderate income women. I conclude that beyond measuring increases in income, an evaluation tool should also consider whether low income women are being reached by the project and whether their needs for health benefits and day care are being met.

Background²

In the spring of 1985, an ad hoc group of women's and community organizations and interested individuals began to explore the possibility of creating an organization in Chicago to assist low and moderate-income women interested in self-employment as an alternative to underemployment and unemployment. A steering committee coordinated the initial development of the Project. The steering committee included Mary Houghton, Executive Vice President, South Shore Bank and President, Illinois Neighborhood Development Corporation; Elspeth Revere, President, the Woodstock Institute; and Gail Christopher, Consultant on economic self-sufficiency programs for low-income families. The steering committee hired Day Piercy, formerly Executive Director of Women Employed and now a consultant, to staff the planning and program design phases. The Woodstock Institute agreed to serve as the fiscal agent until the Project secured tax exempt status.

Project funders include the Joyce Foundation, the Sophia Fund, Fel-Pro Mecklenburger Foundation, New Prospect Foundation, Woods Charitable Fund and the Department of Economic Development. In addition, several government agencies have agreed to provide support and assistance to the project. These include: Small Business Administration Women's Program, Women's Bureau, State of Illinois Minority/Women Business Enterprise Program and the Department of Public Aid, City of Chicago Department of Economic Development, Mayor's Office of Employment and Training and Office of Women's Affairs.

² Taken from Women's Self-Employment Project Proposal, September 1986.

Chapter One

The Big Picture: Context for Self-Employment

The Women's Self-Employment Project is designed to meet rapidly changing economic needs of women who are unemployed, underemployed, or raising their children alone. Project advocates consider self-employment a nontraditional economic self-sufficiency strategy intended to augment rather than replace employment and training programs, which are the more traditional approach to poverty alleviation. In this chapter, I will discuss various characteristics of the current economic and social environment to which employment projects are responding. Next I will point out some differences in opportunities through self-employment and traditional labor market employment and means for measuring impact, followed by possible problems faced by both approaches, and implications for WSEP's consideration.

Environment

One premise behind women's self-employment programs is that economic independence for women is crucial (WEDCO 1985). Moreover, the feminization of poverty indicates that women's cycle of poverty is a new phenomenon and demands fresh and innovative intervention strategies. But responding to this demand presents a complex problem. As Sara Gould (1985) points out, women can work at full-time jobs and still live below the poverty line. Most women are employed in only 20 out of 420 occupational categories listed by the Bureau of Labor Statistics. "Even today," Gould writes, "most women entering the labor force will be in traditionally female, low paying jobs -- those of secretaries, typists,

cashiers, food service and health service workers."³ The Southeast Women's Employment Coalition describes the implication of this:

In the midst of all the hubbub over high tech, capital flight and a new industrial policy, almost no attention has been focused on the jobs and workers who represent the greatbulk of the current projected growth in the labor force: women in low-wage, traditionally female ghettos. Eight of the top ten growth occupations between now and 1990 are "women's jobs" in food service, health care, office work and retail sales. Those familiar with the wages, working conditions and advancement opportunities on these jobs do not automatically view their expansion as good news. ⁴

ET: Model for the Nation?

Massachusetts' ET (Employment and Training Choices) program, an example of an employment and training project operating in a growing economy, claims success in improving economic conditions of the state's poor. The state's economic growth provides jobs and ET offers training to the unemployed and people receiving welfare benefits in order to qualify them for these new jobs in the economy.

But an evaluation of ET shows that for many program participants placed in new jobs income increases only marginally (Amott and Kluver 1986). Although now employed, ET grads will not see a major increase in standard of living unless annual salaries are considerably more than \$10,200, the average earnings of an ET graduate. ET participants stress the significance of loss of in-kind subsidies in the transition from AFDC to work. Non-cash benefits of AFDC such as health insurance are very important to family survival. "For instance," argue Amott and Kluver authors of an ET evaluation, "all AFDC recipients receive full health coverage for four months after they take a job. After that, approximately 70% of

³ Sara Gould, "Economic Development as if Women Mattered," (New York: The Hub Program for Women's Economic Development, 1985): 3. Photocopy.

⁴ Gould, op. cit., p. 3.

ET participants in full-time jobs receive some form of health coverage. It is likely that most ET grads in part-time jobs still retain their medicaid coverage. But that leaves at least 20% of ET placements without any medical coverage. The Department of Public Welfare has requested funding to extend health care coverage to those workers for one year, but it has not been approved by the legislature."⁵

Below is a good accounting of ET's impact on welfare recipients' income:

AVERAGE STANDARD OF LIVING, PRE- AND POST-ET

PRE-ET PACKAGE

AFDC Grant	\$432
Food Stamps	152
Fuel Assistance	50
Clothing Allowance	<u>21</u>
PRE-ET PACKAGE	\$655

No Taxes

No Work Expenses

POST-ET PACKAGE

Monthly Pay	\$850
Net Taxes	<u>-98</u>
Net Pay	\$752
Food Stamps	73
Fuel Assistance	<u>50</u>
POST-ET PACKAGE	\$875

Work Expenses:

Child Care	\$ 45
Health Care	94
Transportation	<u>22</u>
TOTAL EXPENSES	\$161

PRE-ET PACKAGE \$655

POST-ET PACKAGE	\$875
Work Expenses	<u>-161</u>
ADJUSTED POST-ET PACKAGE	\$714

 -Source: ET: A Model for the Nation? Table 1, pg. 14.

NOTES:

PAY: This calculation assumes a mother with two school-age children living in private housing. Weekly gross pay equals \$5.24 (the most recent average full-time wage for ET placement) multiplied by 37.5 hours of work per week (the average number of hours worked by full-time ET placements).

TAXES: Net taxes include the monthly share of end-of-the-year refunds resulting from the childcare deduction and the Earned Income Tax Credit. This

⁵ T. Amott and J. Kluver, ET: A Model for the Nation? (Philadelphia: American Friends Service Committee, 1986) p. 13.

overestimates actual monthly take-home pay. Withholding on a monthly basis will be much greater than the figure shown (approximately \$140 per month).

CHILDCARE: Childcare expenses are based on a contracted slot, with an additional contribution of \$30 for the first child and \$15 for the second.

MEDICAL COVERAGE: Health care expenses were calculated as a weighted average of the cost of family HMO membership for the 30% of full-time ET placements who receive no coverage and an employee contribution at the rate of 4.4% of income for the 70% who do receive employer-sponsored health care. The 4.4% rate is Blue Cross-Blue Shield estimate of health care costs for a low income family and is used by the Department of Public Welfare in estimating costs.

TRANSPORTATION: Transportation expenses are based on the lowest cost monthly pass for public transportation. Monthly passes range from \$22 to \$40, depending upon distance.

Although considered by the national administration as one of the most successful employment and training programs in the country, this accounting of ET's actual impact shows that increases in income are minimal. Chicago policy makers face a similar problem with their equivalent to ET, the Jobs Partnership and Training Act (JTPA) program. According to Howard Stanback, a labor market economist with the Mayor's office of Employment and Training (MET) the largest number of JPTA placements are at McDonald's, where an employee earns approximately \$11 more per month than an unemployed AFDC recipient.⁶ In general, a public aid recipient in Illinois loses \$1.30 in the transition from welfare to work. Dr. Stanback attempts to channel fast food jobs primarily to youth, and focus adult placement efforts in growth sectors of the economy. "But not just dead-end jobs like word processing," states Stanback. "We want to train people how to do programming so they can make a good wage and have room for advancement. It's not easy, the market really works against us. We can never overcome it, but we can neutralize it a little."

⁶ Interview with Howard Stanback, Chicago, IL, January , 1987.

The Self-Employment Difference

A self-employment strategy holds both opportunities and pitfalls. The opportunities are found in the differences between employment and training and self-employment, which I will discuss in this chapter, but the pitfalls are similar for both. For example, many of WSEP participants proposed enterprises that are also in traditionally low wage occupations. Are these women staying in low-wage jobs through working in child care, teaching, hair styling, beauty consultants, floral design, etc.? Although the strategy of self-employment for low income women is a nontraditional approach, are the women continuing their historic segmentation into low wage positions? Neither WSEP staff nor Board members identified this topic as a possible stumbling block for self-employment ventures.

The recent wave of self-employment enthusiasm is one response to increasing unemployment as well as the move toward conservative attitudes calling for reducing the public sector support of the poor. Berlin (1986) discusses how in an economy that has been increasingly subject to creeping unemployment, those who are left out turn to a variety of income and employment generation schemes. For example, of the 103.7 million people employed in the non-agricultural sector in 1985, 7.8 million were self-employed, which represents a 50 percent increase over the 5.2 million people who were self-employed a decade earlier. Berlin adds that some of the self-employed have probably become entrepreneurs out of necessity; about 300,000 were added to the self-employed rolls following the last recession.⁷

⁷ It is interesting to note that although Massachusetts' policy makers planned a women's self-employment project based on WEDCO (Women's Enterprises) they cannot get government or private sector funding. ET has been reluctant to finance the venture (although self-employment was part of the original ET proposal). Berlin's comments on high unemployment and entrepreneurship can shed light on the Massachusetts scenario: is the state resistant to self-employment because unemployment is so low?

A major problem facing women currently receiving AFDC and interested in participating in WSEP, is the risk of losing their benefits before they are able to earn an adequate income from their ventures. As discussed in chapter two, the first several years of a business are the most difficult, particularly for first time business owners. It is assumed that up to a year will be necessary for women to earn \$10,000-20,000 from their ventures. Women may be caught between the Welfare Department discovering that they are earning outside income, and therefore cutting their benefits, and not earning enough to support their families through their new self-employment ventures without benefits. This policy barrier may prevent WSEP from reaching a large sector of low income women, at least until current state welfare policies can be changed.

But given these constraints, self-employment can have a positive impact for low and moderate income women. In my interviews with WSEP participants, women emphasized that they had gone through employment and training programs in Illinois and were dissatisfied with the outcomes. "The jobs were boring and low-paying, and the training sessions never dealt with me as a individual and what I wanted to do, they didn't seem to take me seriously. I don't feel that way here (at WSEP)."

A self-employed woman can work using a skill she already has, doing something she likes and takes pride in. This is not to say that women do not enjoy a job because it is in the traditional labor market; it is mentioned because many of the women interviewed portrayed a situation of job dissatisfaction. Being your own boss means hours may be long, but flexible in terms of child care needs, and other personal obligations instead of working a strictly 9-5 type of job. But the idea of "being your own boss" can be misleading. As WSEP staff strongly emphasize in orientation sessions, every customer is a boss; work can be harder and more demanding than working for an employer. Given the high failure rate of small

businesses, women often do better (financially) working for an employer (Small Business Association 1986). WSEP predicts that many women who go through their training will end up working for an employer instead of becoming self-employed. WSEP does not see this as a failure. Instead, they see women improving their personal skills through training, and moving on to higher jobs than possible previous to joining WSEP. What remains a question is should women only take jobs that net \$15,000 including benefits?⁸ If so, this is consistent with WSEP goal of helping women increase their income. According to Sheila Lahey, the Joyce Foundation program officer who organized WSEP's first meeting, even if a woman's business does not succeed, she will be considered a success if she can move on to either another venture or into a job. Although I found references to this strategy in the self-employment literature, I did not find any evidence on its effectiveness.

Lahey is particularly concerned that if businesses do fold, their accounts are in order and the venture was not a debacle. She stresses that the results of WSEP cannot be easily gauged by the numbers of new jobs created; rather, its effectiveness can be best described by determining a woman's income after joining WSEP, and comparing that amount to her income prior to participating.⁹

WSEP participants see their success as intertwined with the entire process of involvement with the project, not just in terms of income. One woman summed up an attitude I found prevalent in my interviews:

"Success is a scary word. But when I think about it as a process and not as an end, then it makes more sense. My business may not be a major success, but the fact that I am even here means so much for my self-confidence."

⁸ \$15,000 is the approximate amount WSEP cites as its yearly net income goal derived from the median income of Chicago residents.

⁹ Interview with Sheila Lahey, Chicago, IL, January 14, 1987.

WSEP is currently using increase in income as its measure of success. Regardless of whether the income increase occurs through self-employment or traditional labor market employment, that increase, rather than number of jobs or businesses created, will be used to reflect WSEP's impact.

Although WSEP is borrowing from WEDCO's design, WEDCO's gauge of success is the number of women it is assisting. Considered the most prominent American self-employment project, WEDCO's impact receives a great deal of attention, part of which is due to a strong promotional effort carried out by Executive Director Kathryn Keeley. Between 1983-1986, approximately 4,000 women attended a WEDCO workshop and 2,000 low and moderate income women (about 10% of whom were AFDC recipients) had participated in at least one formal business consultation, and WEDCO is currently assisting 464 businesses.

But, as illustrated by the ET evaluation, income is only one indicator of economic well-being. Medical benefits and day care availability must also be highlighted in an assessment of impact. By stressing income increases as its measure of success, self-employment projects may be underestimating the significance that benefits hold for participants. According to one ET grad:

"I have three kids. If I don't get major medical (benefits) there is no way I can keep a job."

An evaluation design for self-employment projects must have a concrete measure of income increase as a result of joining the project, but as shown in the ET evaluation, an analysis of income change through joining the project must be combined with participant interviews that attempt to gauge the total package of benefits the women receive before and after entering the project. This package of benefits includes change in working conditions, job satisfaction, opportunity for learning, time flexibility, quality of child care, etc. Kluver offers a note of caution about the "halo effect," which she describes as the immediate positive

reaction people have when they change jobs.¹⁰ Often, the fact that the position is new makes it very appealing and gratifying, which can change after a few months. To account for this, Kluver suggests interviews after the first month in a new position, and then again after six months and one year.

¹⁰ Interview with Jean Kluver, Boston, MA, April 4, 1987.

Strong Markets and Self-Employment

One of the necessary ingredients for successful self-employment strategies is the existence of a strong market (Berlin 1986). In the British experience with entrepreneurial programs for the unemployed, about 40% of the businesses are likely to be tenuous, part-time activities such as arts and crafts, pet care, and simple repair work. Many of the businesses are retail in nature -- clothing, florists and food preparation; one-fifth are technical - auto mechanics, beauticians, seamstresses. Berlin concludes that 80% of the businesses are dependent on the health of the local, often neighborhood economies in which they operate. He does not elaborate on the implications of this dependency in Great Britain, but studies on the US Black capitalism experience of the mid-seventies (Handy 1984) show that market demand in local communities, the business cycle, local rates of growth, and education and income levels of the Black community were the determinants of minority businesses success. WEDCO, like the Grameen Bank, does not judge the success or failure of a potential business idea. They do believe, however, that it is crucial for the individual participants to assess their own business ideas, skills and abilities to market and finance a business. This process, called self-selection, provides many opportunities and learning experiences for each person. Responsibility is placed on the individual rather than an outside expert.

One issue in WSEP's program design is whether to try and counter market demand problems or react as WEDCO and Grameen Bank do -- let the market be the decision maker. But other micro-business development projects in the developing world find that they must either assist in the identification of stable market channels, or establish central marketing places for the goods produced by their clients (Ashe 1981). In the absence of market opportunities, the projects find no purpose in any of the enterprise and income generating activities.

The task for WSEP is striking a balance between nurturing participant's self-reliance and ability to assess the market demand for her product and service, and preventing a novice entrepreneur from entering a market that offers little chance for success.

Self-Employment and Public Policy

WSEP is trying to change current public policy that makes it difficult, if not impossible, for welfare recipients to make a transition from welfare to work.¹¹ WSEP may want to pursue a state welfare policy that combines work and AFDC for an extended period of time. For example, combining self-employment and AFDC for up to five years may yield the desired income increase of \$15,000 difficult to reach through new self-employment ventures alone. The amount of the AFDC grant can be adjusted as income from the self-employment venture increases.

What must a woman receiving AFDC give up in order to be self-employed? Each individual weighs the costs of foregoing what she has currently in return for an unknown quantity through self-employment. Is the potential loss of benefits for her children worth it? Are there alternatives for health benefits? Will the income made through the new venture be enough to cover increased rent if she is currently paying one-quarter of her income in rent? If she goes to work and is currently taking care of small children, where can she find convenient, good day care? What if she does not want to put her children in day care? Self-employment, in other words, has opportunity costs that women must consider. WSEP can help women make the decision to join the project by discussing these specific questions openly at orientation sessions and creating a

¹¹ Many organizations across the country have adopted the use of TPRs or transfer payment reinvestment. See Friedman and DeFrantz, "Transfer Payment Reinvestment: Distributing Opportunity Along with Income" for a good description of the policy and programs that have adopted it.

means that enhances a woman's understanding of the impact of self-employment on her current status.

Summary

- * Given the macro-economic context in which self-employment operates actual income increases from employment and training and self-employment may be marginal.

- * An evaluation of WSEP should not only consider increase in income as a measure of its success, but also include the impact of the loss of medical benefits and day care that participants in both ET and WSEP pointed out as significant factors in their economic well-being.

- * WSEP participants feel they gain important personal development skills through the WSEP training, which helps them in many aspects of their lives, not just employment. WSEP should find a means to incorporate these more intangible measures of success into its evaluation because these women are clear in stating that for them, success is more than a measure of the increase in their income.

Chapter Two

Credit: Access to Success?

Providing credit is a key element in WSEP's goal of helping women achieve economic self-sufficiency for several reasons. Women, and especially poor women, face barriers to obtaining bank loans because they are seen as bad risks. Add this barriers to the fact that for self-employment ventures, women are most likely seeking small loans, and bank refusal is practically a given.

In this chapter, I will focus on credit. How do WSEP clients perceive the need for credit? What are the demands on WSEP to provide credit? Finally, what are the benefits of providing credit?

Self-Employment Loans -- How They Work

WSEP is borrowing approaches to credit extension from WEDCO and the Grameen Bank, two very different projects. WEDCO clients work closely with a business consultant and once WEDCO is convinced that the participant has successfully completed a sound business plan, WEDCO refers her to one of the of St. Paul -- Minneapolis banks that has agreed to consider the loans of WEDCO referrals. The banks consider WEDCO's tutelage as a form of loan insurance. But even with WEDCO's mark of approval, some women are refused. Only at this refusal point does WEDCO offer access to its own loan fund.

WSEP is intrigued with Grameen Bank's successful use of borrowing groups. But the environment in which the Grameen Bank's operates is quite different from that of WSEP. The existing mode of credit extension available to the poor of Bangladesh are the money lenders. According to Muhammed Yunus, founder of the Grameen Bank, the poor always need credit. "Most often," Yunus states, "the immediate cause for being poor in developing countries is credit -- credit from the money lenders, who charge phenomenal rates of interest." Terms of deals are

fixed in such a way that the client is never able to pay back the principal, and as a result, loses all collateral, creating a circumstance where the client can never get out from under the weight of the money lender.

Grameen Bank was established to provide credit to poor peasants. It does not provide a link between traditional banking institutions and the poor -- it is the banking institution. WEDCO operates primarily as an intermediary between banks and its project clients. In "Lessons Learned,". WEDCO describes its services as a balance between business and social service sectors, and between male and female cultures. WEDCO sees itself as translating business language for women who are intimidated by big institutions, thereby, making these institutions more accessible.

According to WSEP literature, the project sees itself functioning as an intermediary between banks and women in the project, similar to WEDCO's approach, although due to the banking environment in Chicago, they must also operate a loan fund in order to make capital accessible. The project tries to get business plans accepted by area banks before allowing a woman to access the WSEP loan fund, but as far as I know, there are not any agreements with banks, like in Minneapolis, that are committed to the project and will take an extra risk.

Barriers to Access

Barriers to obtaining capital are not new phenomena, particularly for low-income people and women who do not have a personally established credit history, which makes the Minneapolis banks working with WEDCO unique. Only in recent banking history has the myth that poor people do not make good borrowers been debunked. But now banking concerns center on another issue -- it is too expensive to make the small loans requested for microenterprise ventures. In terms of unit cost, banks claim that it is as costly to make a loan of

\$2000 as it is to make a loan of \$200,000. In addition, the returns to the bank are much less for smaller loans in terms of interest payments.

Banks refusal to make small loans forces women to seek other options, such as money from friends and family, which is often a source of start-up money for small business (Small Business Administration Report 1986). But low income women usually have no savings or credit history, which makes it difficult for them to borrow from friends or family (Gould 1985). This scenario leaves banks as the woman's only credit option. But, even if banks are now willing to take a risk on low income women, it can be assumed that the amount requested for start up of a self-employment venture is too low for the banks' consideration. It is probable, then, that the woman will be unable to secure a loan for the necessary funds to get her venture started.

But the importance of access to credit for women wanting to join WSEP is questionable at this point. In interviews conducted with WSEP participants and women who attended an orientation session, I was struck by the fact that few women mentioned credit as an important reason drawing them to the project. For example, when I asked one young woman pregnant with her first child what made her interested in WSEP, she responded that she had heard a lot about how a person could be working and still be poor, so she thought WSEP might offer some ways to help her out of a "working poor" circumstance. When I inquired about what she wanted from WSEP, she responded "I want to learn how to be a good parent." Another woman talked about the need to learn business skills, for example, marketing her product, yet she never specifically mentioned the need for start up money. It is possible that implicit in the interviewees response was that business skills included access to capital, or that these particular women had not developed their business ideas enough to consider how they would use capital.

Almost every woman I interviewed echoed the statement that peer groups were one of the most important aspects of WSEP. Gaining support, learning from each other, sharing the personal experiences about raising children alone, past failures in jobs or education and reinforcement of personal strengths were discussed as some of the most significant elements of participation. One woman referred to her experience as "learning that I could make it." Because WSEP is already using the Grameen model for the borrowing circles, it might be a consideration to expand its purpose to ongoing technical assistance provision. Although members of the borrowing circle are involved in different ventures, they are all from the same neighborhood. This implies that they have been involved with the same community group (at least to the extent that they got involved in WSEP) and share some common interests. I see the extension of the borrowing circles' purpose as building on the base of support and trust that is developing, and expanding the learning to include business skills that are now provided through technical assistance training by a staff member. Beyond cutting costs, these borrowing circles can nurture independence as well as serve as a positive model that encourages others in the neighborhood to join WSEP (this idea is further developed chapter three).

A note of caution must be offered about applying the Grameen Bank model in the United States. In an agricultural based economy such as Bangladesh, people are forced to cooperate in their production process. Some people grow the food, others bring the produce to market, and still others do the selling. This mode of production creates a social relation conducive to the interdependency and cooperation that the Grameen Bank builds on through its use of borrowing groups for credit extension. The US economy is built on the the individual's strength and independence. In the competitive marketplace, cooperation and interdependence are not necessary for production as in Bangladesh. These differences are

mentioned to point out the tension that may exist in applying the Grameen model in the US rather than as a criticism of WSEP's strategy.

There is a debate in small business development literature around providing technical assistance and credit relevant to findings in my interviews. Some people, WEDCO included, believe that credit entices individuals to join a project, and once participating, clients can receive the technical assistance thought to be essential to the success of their venture. Miller and Friedman (no date) conclude that regardless of size of the enterprise, business skills and market knowledge, not capital, are the biggest barriers to success in self-employment.

Judith Tendler (1987) discusses common themes in successful income generating projects in the developing world. She argues that a project is successful when it can provide a missing element. For example, in the Grameen model, rural borrowers already engaged in a business are now offered bank credit. Many credit providing nongovernment agencies in developing countries view providing credit only, referred to as minimalist credit, insufficient. This set of organizations thinks that businesses also need to be taught how to keep books, improve their production techniques, learn about inventory and find better markets. "Credit, according to this assessment of need, must therefore be accompanied by assistance with these other matters, and credit applicants should be helped to evaluate the financial viability of their proposed use of loan funds" (Tendler 1987:16). Tendler points out that although this view is logical, it also leads to higher unit costs of lending and greater demand for organizational sophistication. Because of the higher costs and greater encumbrances, "complete" credit is almost never found in programs that have succeeded in reaching large numbers of borrowers. Small loan programs, which is the strategy for self-employment, usually run high costs per dollar spent because of time and skill required to evaluate numerous small applications - the same

concern that banks have. Minimalist credit reduces these problems by shifting much of the cost of processing loan applications from banks to borrowing groups. The method of borrowing groups, judging credit worthiness has work well, not only in Bangladesh, but in other programs as well.

In WEDCO's experience, offering capital is considered the carrot that brings many individuals to the project. Virtually everyone that calls WEDCO is looking for funding; about 50% have a business and 50% have a business idea (Early Lessons). The loans act as incentives for individuals to complete a very thorough business plan, which is necessary for a well-thought out business venture.

But credit seems to serve a different purpose at WSEP. One very telling piece of information I got from my interviews is that receiving credit from a bank or loan fund makes women feel as if their business idea is legitimate. Many women commented that they had their project ideas for many years and "this is just the right time." It seems as if the fact that someone else, i.e., WSEP's willingness to take a risk and give them a chance makes them develop a stronger sense of self-confidence. The idea to go into business for themselves is not a new concept for most of the women. Many commented that as they have gotten older, and their children are older, they have more time to think about doing something for themselves. The idea that women view self-employment as doing something for themselves is significant. It is reasonable to assume that this attitude can be connected to personal and economic self-sufficiency, which sheds light on why women are so drawn to the personal development aspects of being involved in a peer group.

The credit/technical assistance debate in the self-employment literature remains unresolved, which adds to the difficulty of WSEP's task. Women coming to the project are looking for a variety of services. In my interviews, current WSEP participants stressed the importance of the whole "benefit package" -- the

personal development training helps them develop the self-confidence necessary to believe they can make it in business; the technical assistance provides the "nuts and bolts" they need to run their business; and the credit enables them to get started. What aspects of this process can women get from other sources? What part should WSEP provide? If the decision is made to continue on all fronts, WSEP must consider how one service can be provided so it enhances another.

Summary

- * Although low-income women do face institutional barriers limiting their credit options, few WSEP participants stress access to credit as their main reason for joining WSEP.

- * In WEDCO's experience, credit is the incentive that brings women to the project. It is possible that WSEP is reaching a group of "pre-entrepreneurs," or women who do not have the same amount of business experience as WEDCO participants.

- * Instead of concluding that credit is not important to participants, WSEP should conduct interviews with participants after completing the 12-week training session to determine if the limited interest in credit is due to lack of business knowledge and understanding the role of credit, or whether women actually do not need loans to start businesses.

- * WSEP participants did point out that their ability to get credit makes them feel as if they have a legitimate business idea. This finding is in the same vein as the significance placed on peer groups. Many participants regard self-confidence building and a feeling that they "can make it" as the most important aspect of WSEP.

Chapter Three

Technical Assistance: Where to Begin?

The main question concerning technical assistance for WSEP is how can it best help women achieve economic self-sufficiency through self-employment or other employment. What do women need to gain this new status of self-sufficiency -- a process commonly referred to as empowerment?

In "Early Lessons," WEDCO's executive director Kathryn Keeley writes that ongoing technical assistance is crucial to the success of micro-business. The easy part is the start-up phase where the business is beautifully presented on paper in a business plan. The difficulties come after the business is open and mistakes are made, orders are not delivered and bills cannot be paid. This ongoing assistance, as the need arises, is very important to the success of the loan fund (because of ability to make repayments) and to the continued success of the businesses. This is particularly true for low income women who are faced with extra difficulties, challenges and the need for constant reinforcement about their potential for success.

Although a review of self-employment literature shows a strong emphasis on the perceived need for technical assistance, little is written regarding the actual contents of the assistance and how it should be offered. In broadly defined terms, technical assistance is business training --including developing a business plan, loan packaging, recordkeeping design, cash flow projections, etc. Like WEDCO, several other sources discuss the importance of ongoing technical assistance (Ashe 1985, Berlin 1986) yet do not describe in specific what works, what does not and how the information is best taught for self-employment projects.

Two modes of thinking about technical assistance and training for self-employment are current. One opinion holds that "business is business" (Berlin

1986) and requires a certain set of skills -- regardless of whether the venture is male or female operated. A second opinion calls for a technical assistance and training approach that emphasizes the particular needs of women and low income entrepreneurs. Bendick & Egan (1986) find that within a low income population there are often some people capable of successful self-employment who are precluded from achieving that success by "redlining," or in other words, discrimination. The authors argue that even if a low income person has substantial education, salable skills and work experience, financial institutions as well as other actions in the business world may be reluctant to take self-employment ventures seriously, possibly due to the historically high failure rate of small businesses. Self-employment programs that help to close the gap between such potential entrepreneurs and the business establishment can often make a substantial difference in entrepreneurial opportunities. In sum, the issue raised here is one of access: it is assumed that the women entrepreneurs already have the skills necessary for success; the project acts as a trouble shooter helping women overcome barriers to their success.

What is Best for Entrepreneurs?

Many WSEP clients talked about personal development as primary goals of their participation in the project. They told me repeatedly that the project helped them gain confidence in themselves and enables them to have a successful business, as described in chapter two. The term personal development is found repeatedly in self-employment literature. There is no specific definition of personal development, but it involves developing motivation, a positive self-image -- which is especially stressed by WSEP participants, confidence and creativity.

Entrepreneurial training should be designed to give people the skills necessary to enter the marketplace and create viable businesses (Gould 1985). Studies (no citation) indicate that entrepreneurial training programs stressing decision-making, goal assessment, and planning skills are most effective at discovering entrepreneurial talent. Gould claims that entrepreneurs must have an additional quality -- they must be comfortable taking risks. Risk taking is stressed by WSEP as well. Low income women are put in a position of risking loss of welfare and health benefits by earning income through their self-employment ventures, as discussed in Chapter One.

One question is whether it is desirable to encourage low income women to be risk-takers. Another is whether it is even a teachable trait. In "Self-Employment for Low Income People" Steve Balkin (1986) describes a variety of personality traits of the entrepreneur. There are several themes that emerge. Entrepreneurs are independent; they do not want to work for anyone else; they feel controlled by internal forces (their own strength) rather than external forces (luck or fate). Shapero (1981) found through studying a group of entrepreneurs that no amount of money would lure them away from their own business to working for someone else. He also found that individuals become entrepreneurs after a circumstance of displacement. Displacement refers to some personal dislodgement from a comfortable or otherwise acceptable state of being: displacement can be positive -- a move to perceived new markets, or it can be negative - job termination. Balkin sees some of Shapero's entrepreneurial conditions as applicable to low income people. They are displaced in the sense of not being in the mainstream of society and there are blockages for obtaining status and respect. What seems to be lacking is a "perception of credibility" in the form of peer role models, business persons and available resources, Balkin concludes that these are gaps that programs can fill.

I was struck by the fact that almost every woman I interviewed had a strong entrepreneurial trait described by Balkin. They did not want to work for anyone else: a desire for independence and self-employment is very much in keeping with WSEP's idea of who can achieve economic self-sufficiency through self-employment.

But there appears to be a gap between WSEP's long-term vision of the project's impact and the participants' motivation for joining. WSEP is trying to prepare women for self-employment with the knowledge that success is difficult, and income returns can be greater than in most labor market jobs available to their clients. One woman commented that she could not get a managerial job due to lack of a college degree, yet was refused lower paying jobs because employers found her too smart and independent to stay at the job for any length of time. She believes that WSEP will help her achieve what she could not in the job market. How does the gap between participants' ideas and the project's long-term goal affect the type of training that should occur? Along with necessary business and motivational training, time management and self-confidence building, WSEP needs to consider how it will handle expectations: what type of intervention and support should be offered to a woman who is determined to work for herself yet fails at self-employment?

WSEP believes that the gains women make through completing the 12-week training course are transferable to other jobs, regardless of whether or not they succeed in their own business. But others believe that this is not necessarily the case. For example, Bendick and Egan (1986) point out that Leonard Goodwin's work on job training shows gains from personal development training and the self-employment experience are positive (in terms of self-image; their functioning as parents and citizens) if the individual moves from training to jobs, or in this case, self-employment that pays good money. If their training does not

lead to any subsequent employment, however, then the frustration and disappointment of the experience leads the trainees to be worse off along these psychological dimensions than they were before starting the program.

How can technical assistance be offered?

Time will be the determinant of the best vehicle for technical assistance provision, but at present, WSEP can consider alternative methods. As stated previously, very little has been written on technical assistance for self-employment ventures. WSEP is an experimental project, but this circumstance should be considered an advantage: WSEP can experiment with various combinations of technical assistance and credit provision over time, and reflect upon which formulation works best for women who join the project. Robert Hunt (1983) describes three different approaches to technical assistance provision.

They are as follows:

resource transfer: The emphasis is on delivery of credit, management, production and marketing information through training program or consulting activities.

psycho-social: While involving resource transfers described above, this approach emphasizes the individual's psychological and social obstacles as the biggest barriers to achieving success. This type of training draws on research in behavioral sciences, and attempts to nurture the development of a cluster of traits found in successful people. Basic education is important, but more important is education for self-confidence building and goal setting.

community: The emphasis of this approach is less on entrepreneurship than on development of institutions and values. The focus here is more fundamentally political, with links made to collective improvements in economic and social terms -- or in other words, community development.

Hunt finds that none of the approaches is likely to be found consistently better than the others. He stresses the importance of considering specific ventures and its desired outcomes as the means of discerning among the choices.

In WSEP's curriculum outline, the proposed goals are described as changing the behavior patterns of participants. This will be attempted by first determining the characteristics of successfully self-employed women who were formerly low or moderate income. Next, the behavior patterns of program participants will be assessed, revealing the gap between the behavior of these two groups. WSEP's sees its task as designing a curriculum that enables participants to bridge the gap between their needs and the characteristics of successfully self-employed women (Curriculum Outline 1986:2). This strategy falls within Hunt's description of psycho-social technical assistance, drawing from the behavioral sciences.

Another alternative to technical assistance provision that Hunt does not discuss explicitly is a self-help strategy. The difference between self-help and changing behavior is subtle but important. As opposed to changing patterns of behavior, self-help is based on the premise that people need to develop the skills and traits they already have, yet due to individual and social obstacles, they are prevented from reaching their potential.

One organization attempting to use this self-help approach is the Youth Entrepreneurial Development Project (YEDP) in Boston. Director Richard Lawrence describes his concept of technical assistance as "surviving in a capitalist economy."¹² Lawrence believes that behavior changes as opportunities change. He sees the role of his organization as showing a participant potential opportunities, then asking what the individual needs to achieve this potential. The major difference between the self-help (YEDP) and psycho-social (WSEP) technical assistance methods can be summarized as WSEP being curriculum led, and YEDP being participant-led. What this means is YEDP responds to the specific needs of their clients, as the need arises, and WSEP follows a curriculum for

¹² Interview with Richard Lawrence, Boston , MA, April 3, 1987.

development of behavior regarding as essential success, but may not be responsive to individual's needs.

YEDP faces the problem of needing to remain very flexible in the services it offers, ranging from personal development to business skills. WSEP has more control over what it is offering, and can prepare staff to handle the training.

According to Lynda Wright of the Howard Area Community Center working with WSEP, women who join their neighborhood self-employment project have already attended a Leadership Training workshop sponsored by the organization. During these trainings, women work on developing many of the human development skills discussed in this chapter. This training gives women a head start in peer group training, and takes some of the burden off WSEP in terms of what needs to be covered in the 12-week session. The idea of encouraging organization's participating in the neighborhood partnerships to offer this type of training as well could be an effective means of narrowing the range of services WSEP itself must offer.

Staffing

As WSEP expands, there will be a need to add staff. WSEP is now searching for women who have entrepreneurial experience, which is confirmed as a good strategy by WEDCO and the self-employment literature. A WSEP Board member pointed out that staff members should also have experience in business failures. Because failure rates of new businesses are so high, having staff who can frame these obvious disappointments as stepping stones to eventual success in either other ventures or traditional employment is a good strategy.

Students and volunteers can also be useful staff members, as some studies of self-employment projects in the developing world point out, e.g., the Grameen Bank. When committed to a project, (in terms of wanting to help relieve poverty)

these students and volunteers make excellent project recruiters, and they are less costly than professionals. But the demands on WSEP staff are greater than in these third world examples because they must also provide business assistance, requiring specific technical skills, implying a demand for higher wages. Given this, WSEP may want to consider how tasks can be divided, using volunteers for recruiting participants, and professional staff for technical assistance.

Individual or Group Delivery of Service?

WSEP participants make it clear that part of developing their self-confidence is learning business skills. One woman commented in a peer group session that because she was learning "about business" she was no longer intimidated by people who used their knowledge to gain an upper hand in business transactions. WSEP curriculum is designed to nurture this development, and offers both peer group training and individual consultations. Although it does offer some group training sessions in marketing, WEDCO provides technical assistance through individual consultation as needed by the clients who pay per hour on a sliding scale according to their income. Paying for consultations is a unique feature; typically in business assistance projects, participants are not charged for this service. Beyond covering expenses, I assume that part of the reason behind charging for consulting is the belief that women will take their self-employment commitment more seriously if they must pay to participate.

WSEP projects that program fees will cover 10% of their operational costs: all participants will pay some negotiated fee based on ability to pay. Will there be an additional fee to cover individual consultation, as in WEDCO, or does the program fee cover all WSEP services? Currently, WSEP offers both peer group classes and individual consultation. Participants did comment that they appreciate individual attention. One woman pointed out that she felt lost in a project structured on

group training -- she felt that no one was watching carefully and correcting her. This combination of individual consultations and group training makes sense in light of the needs stressed by participants, yet could prove very costly if the present program structure continues. Already aware of the benefits of the borrowing circle for credit extension, WSEP may consider expanding the purpose of the circles to include technical assistance provision (as described in chapter two). This is another possibility that could cut reduce program costs without adding on more fees for participation, and risking the lose of some potential clients.

Since one of WSEP's explicit objectives is to help a woman close her business with her accounts in order if it cannot succeed, it makes sense that these loan groups be closely monitored to ensure intervention occurs when necessary.

Because peer groups are the vehicle for extending support, it seems to follow that the loan group can take in this role as well. Ashe (1981) points out that the borrowing group provides a basis and forum for organizing non-economic activities such as advocacy or social services. If this is the case, it is possible that the groups can provide support for each other as well.

Summary

- * There is no "right way" to deliver technical assistance, but a debate does exist around whether women and low-income entrepreneurs need special training designed to meet their particular needs.
- * Participants report that personal development in terms of self-confidence building is even more important to the success of their ventures than developing business skills.
- * Many WSEP participants expressed a strong desire to be self-employed, which led them to join the project. Because of this, WSEP may have difficulty with its

proposed strategy of women entering traditional labor market employment if their self-employment ventures do not succeed.

* Participants stressed their need for individual consultation as well as peer group support. The combination of these two services could become expensive and should lead WSEP to find ways of combining different aspects of their services as a means of containing costs.

Chapter Four

Self-Employment: Who Are We Reaching?

The topic of target population plays a major role in designing an evaluation tool -- who is being reached by the project? Initially, I considered target population as an issue separate from other aspects of the project such as credit extension or technical assistance, but I realize this is incorrect. The specific characteristics and needs of the target population must be incorporated into every aspect of the project if it is going to be successful in serving the women it is designed to serve.

Interviews with WSEP staff and members of the Board confirmed the project's strong commitment to low and moderate income women who are working toward economic self-sufficiency. This attitude may, in part, be a reaction to common criticism of programs targeted to reach the poor. Often in a given target population, projects claim success by virtue of the numbers of individuals they serve. Upon closer inspection, their actual impact is minimal. For example, although they start with the goal of reaching the lowest income residents of a neighborhood, those actually served are not the poor -- rather they may be working or have other sources of support. This phenomenon is frequently referred to as "creaming" --literally skimming the best or easiest to work with off the top.

WSEP wants to know how much income has actually increased as a result of clients joining the project. How many jobs have been created? Does the project actually reach low income households? If a woman reports her own income as \$10,000, WSEP assumes that this is the sole amount she has to support her family (pay rent, buy food, clothing, etc.) But others in the family may also contribute to household income, so individual income may not accurately reflect household

earnings. This is not a judgment about who is poor or deserving of WSEP services. Rather it is one way WSEP can gauge the actual change in household income and not misrepresent the project's impact.¹³

In WSEP's orientation sessions, women hear about the possible heights and pitfalls of being self-employed, then return home to do their own accounting of personal skills, energy, and time commitment to determine their own self-employment capacity. WEDCO operates on the premise that only the individual can determine her own capacity for success, a process called self-selection. But after conducting several orientation sessions, WSEP staff commented that "pre-training session" workshops are needed to help women who may not be ready for self-employment yet, but have the drive necessary for success. Lack of experience and self-confidence may inhibit a woman's ability to see herself as a business owner. Although self-selection has proven effective (e.g., WEDCO), WSEP should consider another level of self-employment "readiness" training designed to reach a broader range of potential entrepreneurs. The success of these women will be proven over time, and should be followed to determine if extra training for "pre-entrepreneurs" makes a difference.

What About Target Population?

WSEP can learn from the Grameen Bank's outreach model as well as its loan fund. The Bank finds that poor people are often difficult to recruit, which may be an issue WSEP will confront as it expands its outreach efforts. For example, potential Grameen Bank clients may not be aggressive about seeking capital to

¹³ The official poverty level of income is determined by household size and family income, not individual income. WSEP can only compare statistics with census data if it is consistent with this methodology. Also, the idea of a family wage needs to be reconsidered - based on what a man needs to support his family. With the rise of women headed households, we are facing a different circumstance that requires rethinking.

start their enterprises; bad past experiences with banks and low self-confidence may inhibit them from calling, as is found in Bangladesh. The argument can be made that self-employment projects only want to work with women who are motivated self-starters. But, if WSEP believes that poor women have historically been denied access to credit, it makes sense to consider that reaching potentially successful participants may require more outreach effort than simply letting it be known that credit is available. Recognizing that their clientele are apprehensive and most likely illiterate, Grameen Bank workers go to villages and organize prospective loan recipients by explaining the purposes and the functions of the bank to the villagers. Once WSEP has a track record, it may be easier to recruit but at least initially it may be useful to borrow from Grameen Bank's outreach strategy as well as its loan model.

There are differences in the environments that the two models operate in that account for necessarily different approaches. But how will WSEP handle the situation of illiterate women in Chicago who have a skill appropriate for self-employment? Given the current requirement of developing a self-employment action plan, these women are obviously excluded from the project. In essence, literacy is assumed in US self-employment projects. This point should be made clear to potential participants who have skills, but not a solid basic education. WSEP could consider co-ventures in these cases. By doing so, the project can assist women who have few options in terms of developing economic self-sufficiency.

There is a flipside to recruitment that also needs illumination. Studies have found that if people do not respond to an organization's offer of services or credit, then it is not meeting the needs of that population (Ashe 1985). Most successful project find that recruitment happens primarily by word of mouth: one person relates her positive experience to another, who is then motivated to join.

Women with previous business experience and self-confidence will, most likely, come to the project through hearing about it word of mouth, with little or no recruitment effort. I am assuming that it will be less difficult for these women to establish a self-employment venture than it might be for a low-income women with little or no business exposure. The less experienced a woman is, the more necessary recruitment will be. If WSEP initially works with women who come on their own with no recruitment, then incorporating the more extensive task (in terms of cost and staff resources) of recruiting necessary to reach less experienced women at a later time may be difficult. Moreover, as WSEP establishes a track record of successes with these initial participants, it is possible that when lower income women are recruited through the development of the neighborhood partnerships, the numbers of successes decrease (relatively). This should not be considered a loss of ground. "Creaming" can make a project appear more successful than one that works with individuals who fall across the spectrum of a given income distribution. The decision to serve only those who come without outreach efforts is legitimate, but because WSEP is committed to working with low income women as well, emphasizing outreach is important.

Other Experiences with Entrepreneurship

Experimental projects such as WSEP can learn from past experiences of projects targeted for a specific population. Creating new opportunities for segments of the population denied access to the primary labor market for reasons of language barriers, discrimination or lack of necessary skills has a history. Two experiences are commonly used in self-employment literature to understand potential impacts of self-employment. The first is the new immigrant experience and the second is minority enterprises.

Balkin (1986) describes reasons for the relative high rate of self-employment in certain US minorities.¹⁴ The success of these groups is due to cultural endowments (a groups values and motivations, augmented by class status and resources in their country of origin); relative satisfaction (the appeal of potential wealth could be made in the US); communal solidarity (well-developed social networks); and sojourning (coming to the US to amass as much money as possible as quickly as possible and return home.)

Blacks in the United States often do not have the class status or money that allows immigrants to succeed in self-employment. Balkin describes how the lack of financial resources available from a community or banks forces Blacks into marginal businesses.¹⁵ Nearly one-half of all Black firms in 1977 had receipts of less than \$5,000 for the year, and 95 percent were individual proprietorships, suggesting that the majority of Black proprietorships were working in self-employment ventures, which were often concentrated in low-income service industries that were more vulnerable to economic downturns (Berlin 1986). Consequently, the recession of the early 1980s was particularly difficult for Black-owned firms.

The Black Capitalism strategy was an effort to encourage Black business formation and expansion in Black communities.¹⁶ Access to capital was the primary growth obstacle for minority entrepreneurs living in economically depressed regions because banks were unwilling to make loans to enterprises whose owners were without sufficient collateral and wanted to operate in low-

¹⁴ Balkin cites a study by Light (1984) that lists Jews, Chinese, Japanese, Greeks, Macedonians, West Indians, Dominicans, Gypsies, Koreans and Arabs as examples.

¹⁵ Bennett Harrison describes marginal firms and secondary labor market as organized into production systems displaying low productivity, poverty-level wages and low stability (high turnover), "Institutes of the Periphery" from "Employment, Unemployment and the Structure of the Urban Labor Market."

¹⁶ Balkin describes its political implications. Nixon used Black Capitalism in opposition to Humphrey's public sector approach via the Great Society Program: p. 53.

income communities. In the absence of available capital, government minority business assistance programs such as MESBIC (Minority Enterprise Small Business Investment Companies) tried to imitate the financial support available to the immigrant communities but without the substantial social support features of these communities. "By any measure," Berlin suggests, "the objectives set for these intermediary loan organizations were ambitious and unrealistic. New lending organizations were created to make loans to novice entrepreneurs in minority and disadvantaged communities, but without peer support mechanism of other groups."¹⁷

As the Black experience is portrayed in the literature as a parallel to ethnic immigrants who were new entrants into the labor market and entrepreneurship, women are now considered the "new entrepreneurs," and the problems they face (lack of access to capital and a weak business support network) are similar to those of minority businesses. As discussed in chapter one, some of the self-employment ventures WSEP participants are planning could fall into the category of marginal firms, or businesses excluded from the stable portions of the economy. Businesses will be small, not in the mainstream of the economy with a potentially low level of productivity.

Concluding Comments and New Possibilities

The Women's Self-Employment Project recognizes that its strategy of self-employment alone will not solve the mounting crisis of women and children living in poverty in the US. But by providing access to credit and technical assistance in a way that considers the particular needs of these women, WSEP can augment other government and private sector efforts that share the same

¹⁷ Gordon Berlin, "Job Creation and Business Development," 1986, p. 9.

concern.

WSEP participants view personal development through working in peer groups, not income increases, as the most important aspect of joining WSEP. This suggests that WSEP's measurement of success by increase in income may leave out participants' view that personal development is at least equally important. An evaluation tool should try and capture these less concrete aspects as well as analyzing income before and after joining the project. This information can be obtained through interviewing participants.

Beyond change in income, an evaluation must consider the loss of medical benefits and day care that WSEP participants point to as significant factors in their economic well-being.

WSEP participants stress that peer groups are even more important than access to credit. This has two implications. First, peer groups should be ongoing beyond the completion of the 12-week training. Borrowing groups can easily adopt the function of providing ongoing support because women must continue meeting for the entire term of their loans anyway. Second, instead of concluding that credit is unimportant to participants, WSEP should first conduct interviews with graduates who have completed the training session to determine if the limited interest in credit is a result of WSEP reaching a "pre-entrepreneur" group of women who, due to a lack of business understanding, do not grasp the necessity of credit in starting a self-employment venture. WSEP graduates have a better sense of the importance of credit in self-employment ventures than women just starting the training.¹⁸

The popularity of the peer groups indicate that women enjoy learning with and from each other in a cooperative way. WSEP may want to expand on this by

¹⁸ I interviewed WSEP participants just starting the project's first peer group training, so attitudes may have changed once women complete their business plans.

encouraging cooperative ventures among women. Although co-ops in the US do not have a history of success, the combination of participants' inclination toward cooperating and ongoing technical assistance provided by WSEP cooperative ventures may work for WSEP.

Another important measure is the success in reaching the target population -- low and moderate income women. If WSEP is committed to reaching these women, then incorporating the Grameen Bank outreach strategy may increase success. It is likely that this task will be more difficult than "word of mouth" recruiting, therefore outcome in terms of women served or change in income may be not be impressive. But the evaluation must account for the paradox that the target group is probably the least likely to participate.

Encouraging women to work in nontraditional jobs is one way of steering women away from low wage positions. Projects like the Sunbow Foundation in Chicago are training women in higher wage nontraditional jobs in construction and WSEP might consider a network between the two organizations: Sunbow offers the training, then WSEP helps graduates start their own ventures.

When I consider WSEP evolving over time, the facts that the self-employment ventures will be predominantly small scale, technical assistance is needed on an ongoing basis, and health insurance is both important to participants and very expensive to acquire on an individual basis, all point to the need for some type of women's trade association. This association can reduce the costs of technical assistance, lending capital, and medical benefits by providing them on a large scale to membership, which can be made up of WSEP participants as well as other small business owners in the city. I envision this association as a spin-off of WSEP, which implies that the project can maintain a voice in the association's management and simultaneously, reduce the current burden on WSEP of rendering these services to its participants.

Although not explicitly pursued by WSEP, the peer groups can have a ripple effect in the neighborhoods in which they operate. Beyond starting businesses, these groups can lead to the building of strong networks of women that positively impact many aspects of community life.

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